

Message Text

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ACTION EB-07

INFO OCT-01 AF-08 ISO-00 FEA-01 AGRE-00 CEA-01 CIAE-00
COME-00 DODE-00 FRB-03 H-01 INR-07 INT-05 L-03 LAB-04
NSAE-00 NSC-05 PA-01 AID-05 CIEP-01 SS-15 STR-04
ITC-01 TRSE-00 USIA-06 PRS-01 SP-02 OMB-01 IO-13
IGA-02 /098 W

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FM AMEMBASSY LUSAKA

TO SECSTATE WASHDC PRIORITY 4811

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E.O. 11652: N/A

TAGS: ETRD, MTN, ZA

SUBJ: MTN: US NEGOTIATING OBJECTIVES: ZAMBIA

REF: STATE 308918

SUMMARY: INCREASED PENETRATION OF ZAMBIAN MARKET BY
US EXPORTS IS CURRENTLY MORE RELATED TO FOREIGN EXCHANGE
AVAILABILITY IN ZAMBIA THAN TO TARIFF OR NON-TARIFF
BARRIERS. US MARKET SHARE OF PRODUCT CATEGORIES IMPORTED
BY ZAMBIA IN EXCESS OF \$1.0 MILLION ANNUALLY IS APPARENTLY
NOT A FACTOR OF TARIFF OR NTB CONSIDERATIONS. MAJOR US
EXPORTS TO ZAMBIA ARE MAINTAINING THEIR SHARE OF THE
MARKET. ZAMBIAN INTEREST IN MTN IS LIKELY TO CENTER ON
GSP FOR COMMODITIES, PARTICULARLY COPPER. END SUMMARY

1. THE CONTINUED LOW LEVEL OF WORLD COPPER PRICE HAS SEVERELY
REDUCED ZAMBIA'S FOREIGN EXCHANGE EARNINGS AND REQUIRED
IMPOSITION OF IMPORT LICENSING PROCEDURES TO LIMIT VOLUME OF
IMPORTS. THE SYSTEM INVOLVES LICENSING PROCEDURE AND FOREIGN
EXCHANGE ALLOCATIONS BASED ON ESTABLISHED PRIORITIES. MANY
ITEMS (E.G. BEEF) CAN NO LONGER BE COMMERCIALY IMPORTED.

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IMPORTS OF OTHER ITEMS (DRUGS, SPARE PARTS, ETC.) HAVE BEEN
DRASTICALLY REDUCED BECAUSE OF SCARCE FOREIGN EXCHANGE. THERE IS
LITTLE HOPE THAT THE SITUATION WILL IMPORVE IN
THE NEAR TERM AND IT IS THIS FACTOR, RATHER THAN ANY
TARIFF OR NTB ISSUES WHICH WILL LIMIT THE MARKET POTENTIAL
IN ZAMBIA FOR THE US AND OTHER SUPPLIERS.

2. AN ITEM BY ITEM REVIEW OF COMMODITIES IMPORTED BY ZAMBIA IN EXCESS OF \$1.0 MILLION PER YEAR (USING 1973 AND 1974 DATA WHICH IS THE LATEST DETAILED BREAKDOWN AVAILABLE) INDICATES THAT THE US SHARE OF THE MARKET IN MOST CASES CAN BE EXPLAINED BY FACTORS OTHER THAN TARIFF OR NTB CONSIDERATIONS. TRADITIONAL PREFERENCE, AVAILABILITY, PRICE, TECHNOLOGICAL DIFFERENCES AND TRANSPORTATION COSTS CAN ACCOUNT FOR THE RELATIVELY POOR SHOWING OF US PRODUCTS IN SUCH BASKET CATEGORIES AS TEXTILES, STEEL, PASSENGER VEHICLES AND PETROLEUM PRODUCTS. LESS OBVIOUS ARE THE REASONS FOR THE US SHARE IN THE MORE SPECIFIC CATEGORIES OF CABLE WIRE AND ELECTRICAL CONTROLLING APPARATUS. WE ARE UNABLE TO DETERMINE A TARIFF OR NTB FACTOR, HOWEVER, WHICH MIGHT ACCOUNT FOR THE LOW US SHARE IN THESE CATEGORIES.

3. APART FROM LARGE INDIVIDUAL TRANSACTIONS INVOLVING DELIVERIES OF AIRCRAFT AND LOCOMOTIVES, ZAMBIA'S MAJOR IMPORTS FROM THE US HAVE BEEN IN THE GENERAL CATEGORIES OF MINING, EARTH MOVING AND TRANSPORTATION EQUIPMENT AND MINING RELATED CHEMICALS. THE US SHARE OF INDIVIDUAL ITEMS IN THESE CATEGORIES RANGES IN ANY GIVEN YEAR FROM SUBSTANTIAL TO OVERWHELMING AND IS UNLIKELY TO FLUCTUATE SIGNIFICANTLY THROUGH ANY TARIFF OR NTB ACTION WHICH THE EMBASSY IS ABLE TO IDENTIFY. DUTY RATES ON THESE ITEMS RANGE FROM 0 TO 30 PERCENT AND ARE PEGGED AT THE HIGHER RATE ONLY FOR CERTAIN CHEMICALS NOT SHIPPED IN BULK. ALL OTHER RATES ARE 15 PERCENT OR LESS. AN INITIAL INVESTIGATION REVEALS NO PREFERENTIAL DUTY RATES OR NTBS WHICH MIGHT HAVE A SIGNIFICANT EFFECT ON THE US MARKET SHARE OR VOLUME OF DELIVERIES. HOWEVER, TRADITIONAL LIMITED OFFICIAL USE

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MARKET SOURCE BIAS MAY BE A FACTOR IN SOME PRODUCT CATEGORIES WHERE THE UK AND OTHER EXPORTERS HAVE SIGNIFICANT MARKET PENETRATION.

4. IN 1974, ZAMBIA ESTABLISHED A STATE TRADING ENTITY KNOWN AS THE NATIONAL IMPORT AND EXPORT CORPORATION (NIEC). A SUBSIDIARY OF ZAMBIA'S PARASTATAL UMBRELLA ORGANIZATION, THE ZAMBIA INDUSTRIAL AND MINING CORPORATION, NIEC, DOES NOT HAVE A MONOPOLY ON IMPORTS BUT DID IN 1976 HANDLE APPROXIMATELY 60 PERCENT OF THEM. NIEC DOES HAVE A THEORETICAL MONOPOLY OF THE WHOLESALE TRADE BUT IN PRACTICE APPEARS TO LIMIT ITS ACTIVITY IN THIS SECTOR TO CONSUMER GOODS. WE ARE UNAWARE OF ANY NIEC PRACTICES OR POLICIES WHICH ADVERSELY AFFECT MARKET POTENTIAL FOR US PRODUCTS IN ZAMBIA.

5. THE RECENT DETERMINATION THAT ZAMBIAN COPPER, BECAUSE OF THE HIGH VOLUME OF EXPORTS TO THE US IN 1976, WILL NO LONGER BE ELIGIBLE FOR THE PREFERENTIAL DUTY RATE UNDER

GSP MAY BE THE GRZ'S MAJOR CONCERN IN THE UPCOMING
MTN. EMBASSY HAS NOT YET INFORMED GRZ THAT THIS
ACTION WILL BE TAKEN IN MARCH UNDER THE REGULATIONS OF THE
TRADE ACT OF 1974 BUT INTENDS TO DO SO IN THE NEXT FEW
DAYS. AT THAT TIME WE SHOULD BE IN BETTER POSITION TO
COMMENT FURTHER ON QUESTION RAISED IN PARA 2, SECTION C,
REFTEL. LOW

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Message Attributes

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Capture Date: 01-Jan-1994 12:00:00 am
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Control Number: n/a
Copy: SINGLE
Sent Date: 15-Jan-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
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